

Message Text

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SUBJECT: EC COMMISSION RECOMMENDS PRECEDURES FOR COMMODITY
NEGOTIATION AND SETS FORTH IDEAS ON THE COMMON FUND

REF: EC BRUSSELS 6308

1. SUMMARY: THE EC COMMISSION HAS RECOMMENDED TO THE COUNCIL
THAT ANY COMMON FUND SHOULD BE SOLELY A FINANCIAL MECHANISM
(I.E. NOT A BUFFER STOCK MANAGER) AND THAT THE EC SHOULD HAVE
A MAJOR ROLE IN UNCTAD COMMODITY NEGOTIATIONS. COMMISSVON
OFFICIALS HAVE ALSO SET FORTH THEIR IDEAS CONCERNING A COMMON
FUND. THEY BELIEVE THE EC WILL NOT BE ABLE TO AVOID PARTICIPATING
IN SUCH A FUND. END SUMMARY.

2. THE COMMISSION ADOPTED ON JULY 6 A COMMUNICATION AND
RECOMMENDATION TO THE EC COUNCIL CONCERNING THE EC PARTICIPATION
IN THE UNCTAD NEGOTIATIONS CONCERNING ADOPTION OF AN INTEGRATED
COMMODITY PROGRAM. WE HAVE SENT COPIES OF THIS RECOMMENDATION
O STATEIRPE-CASEY AND STATE/EB-WENDT. THE PURPOSE OF THIS
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COMMUNICATILN IS TO ENABLE THE EC TO DRAW UP A POSITION TOWARD

THE COMMON FUND WHICH COULD BE SENT TO THE UNCTAD SECRETARIAT BY SEPTEMBER 30. THERE ARE THREE MAIN POINTS: (1) ON THE BASIS OF ARTICLE 113 OF THE TREATY DEALING WITH THE COMMON COMMERCIAL POLICY, THE COMMISSION SHOULD BE RESPONSIBLE FOR THE UNCTAD PRODUCT-BY-PRODUCT NEGOTIATIONS; (2) THE PRESIDENT OF THE EC COUNCIL AND THE COMMISSION SHOULD JOINTLY REPRESENT THE EC AT NEGOTIATIONS CONCERNING THE PROPOSED COMMON FUND; AND (3) THE COMMON FUND SHOULD BE STRICTLY FINANCIAL IN NATURE, I.E., IT WOULD NOT MANAGE AND REGULATE TRADE IN RAW MATERIALS COVERED BY INTERNATIONAL MEASURES.

3. CTJFLD PRELIMINARY DISCUSSIONS OF THIS COMMUNICATION ON JULY 22, BUT NO CLEAR POSITION WERE TAKEN. PERM DEL OFFICIALS EXPECT SEVERAL MEMBER STATES TO OBJECT TO THE PROCEDURAL PROPOSALS; SO FAR EACH MEMBER STATE HAS GENERALLY REPRESENTED ITS OWN POSITION AT UNCTAD COMMODITY MEETINGS AND THEY ARE LIKELY TO WANT TO CONTINUE THIS PROCEDURE. MEMBER STATE EXPERS ARE TO BEGIN SUBSTANTIVE DISCUSSIONS THE FIRST WEEK OF SEPTEMBER AND THE FOREIGN MINISTERS COUNCIL IS EXPECTED TO TAKE UP THE RECOMMENDATIONS ON ABOUT SEPTEMBER 20. COMMISSION OFFICIALS SAY THAT AS LONG AS THE MEMBER STATES AGREE TO AN EC ROLE IN THESE NEGOTIATIONS, THEY DO NOT PLAN TO GET INTO A LEGAL FIGHT OVER THE COMPETENCE OF COMMUNITY IN INTERNATIONAL COMMODITY NEGOTIATIONS.

4. WE DO NOT YET KNOW HOW MEMBER STATES LINE UP ON THE SUBSTANTIVE PARTS OF THE COMMUNICATION. COMMISSION OFFICIALS BELIEVE THAT IT IS UNAVOIDABLE THAT A COMMON FUND WILL BE ESTABLISHED AND THE EC WILL NOT BE ABLE TO AVOID PARTICIPATING. THUS, THEY ARE TRYING TO FORMULATE A CONSTRUCTIVE POSITION TOWARD IT WHICH WOULD BEST MEET THE EC INTERESTS. COMMISSION OFFICIALS PLAN TO SUBMIT SPECIFIC PROPOSALS TO THE COUNCIL BY THE END OF JULY. THESE PROPOSALS WOULD REPRESENT THE VIEWS OF THE COMMISSION SERVICES, NOT THE COMMISSION, BUT THE COMMISSION IS EXPECTED TO REVIEW THE DOCUMENT. THE MEMBER STATES WOULD TAKE UP THESE PROPOSALS IN EARLY SEPTEMBER.

5. COMMISSION OFFICIALS HAVE GIVEN US THEIR PRELIMINARY THOUGHTS ON HOW THE COMMON FUND MIGHT OPERATE. THEY BELIEVE PARTICIPANTS SHOULD SUBSCRIBE CAPITAL TO IT AND THE FUND WOULD HAVE AUTHORITY TO BORROW ON CAPITAL MARKETS. PARTICIPANTS LIMITED OFFICIAL USE

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WOULD BE BASED ON CONSUMER, PRODUCER AND OPEC SHARES IN INTERNATIONAL COMMODITY TRADE. (COMMENTN: WE NEED FURTHER INFORMATION BEFORE BEING ABLE TO EXPLAIN THIS FORMULA CLEARLY.) COMMISSION OFFICIALS DO NOT PLAN TO PROPOSE THE SIZE OF THE FUND AT THIS TIME.

6. THE FUND WOULD PERFORM THREE BASIC FUNCTIONS: (1) FINANCE BUFFER STOCKS OF RAW MATERIALS COVERED BY INTERNATIONAL

ARRANGEMENTS; (2) PROMOTE INVESTMENT IN THE DIVERSIFICATION OF COMMODITY PRODUCTION; AND (3) HELP FINANCE THE TRANSFER AND DEVELOPMENT OF TECHNOLOGY IN RAW MATERIALS. SEVERAL OFFICIALS WOULD LIKE TO INCLUDE ALSO FINANCING FOR THE STABILIZATION OF COMMODITY PRICES, I.E., STABEX. MEMBER STATES, HOWEVER ARE AGAINST ANY FURTHER FINANCING OF STABEX SCHEMES AND THIS PROPOSAL HAS BEEN DROPPED. COMMISSION OFFICIALS ALSO DO NOT ENVISION USING THE FUND TO GUARANTEE INVESTMENTS IN DEVELOPMENT AND PROCESSING OF RAW MATERIALS. THUS, THEY BELIEVE THEIR PROPOSAL WOULD BE COMPATIBLE WITH THE US PROPOSED INTERNATIONAL RESOURCE BANK, THE CONCEPT OF WHICH THEY CONTINUE TO SUPPORT.

7. COMMISSION SERVICES HAVE ALSO PREPARED A COMPREHENSIVE DOCUMENT ON PRIMARY PRODUCTS COVERED UNDER THE UNCTAD IV RESOLUTION. THIS DOCUMENT WILL BE TAKEN UP ON SEPTEMBER 1 BY AN EC WORKING GROUP. WE ARE SENDING COPIES TO STATE- CASEY AND WENDT AND WILL REPORT FURTHER ON DEVELOPMENTS IN THIS WORKING GROUP. HINTON UNQUOTE KISSINGER

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